

# **EXHIBIT C**

February 22, 2008



Mr. Steven Fleisher  
Mr. Steven Grabell  
Mr. A. Jerome Grossman  
Mr. Frank Kessler  
c/o Shapes/Arch Holdings, LLC  
9000 River Road  
Delair, NJ 08110

Re: Binding Proposal Concerning Sale of Equity and Certain Other Rights

Dear Messrs. Fleisher, Grabell, Grossman and Kessler:

On behalf of Versa Capital Management, Inc. and its affiliates ("Versa"), we are pleased to submit this proposal to acquire 79.9% of the outstanding equity interests of Shapes/Arch Holdings, LLC ("Holdings", and together with its subsidiaries, the "Company") (the "Transaction"). This letter supersedes all prior proposals, whether written or oral, all of which have expired and been withdrawn.

The following sets forth the material terms and conditions of our proposal. It is explicitly agreed that the terms set forth herein, including without limitation, the terms concerning the sale of equity of Holdings to Versa (or an affiliate thereof) are and shall be legally binding upon the equity holders that are signatories hereto (the "Existing Holders"), BEN, LLC ("BLLC") and HOLDINGS, and the parties hereto agree to cooperate, and to cause BLLC and HOLDINGS to cooperate in the drafting and execution of customary definitive written agreements to implement the transactions described herein.

The material terms of the Transaction are as follows:

1. Upon the execution of definitive documentation and simultaneously with the closing of the Bank Transaction, one or more entities formed by Versa (collectively, "Newco") shall acquire (by merger, direct or indirect interest sale or otherwise, with the form of such transaction to be effected in the manner directed by Versa, in its sole discretion) a 79.9% interest in Holdings (the "Equity Interest") amending the operating agreement of Holdings as directed by Versa.
2. In consideration for the Transaction:
  - a. The Existing Holders shall have the right to co-invest in up to ten percent of all, but not less than all, of Versa's investments in the Company on the same terms as Versa (the Existing Holders will have until 30 days after the initial funding/closing by Versa to elect to participate and execute subscription documents and such right, if fully subscribed or oversubscribed shall be allocated among the Existing Holders wishing to subscribe on a *pari passu* basis); and

*fka: Chrysalis Capital Partners*

Cira Centre • 2929 Arch Street • Philadelphia, PA 19104-2868 • tel 215.609.3400 • fax 215.609.3499 • [versafund.com](http://versafund.com)  
123285.01601/11752551v.4

Binding Proposal – Shapes/Arch Holdings, LLC  
February 22, 2008  
Page 2 of 4

- b. Newco shall reimburse the actual fees and expenses of the Existing Holders incurred in connection with the consummation of the Transaction in an amount not to exceed \$50,000.00.
- c. Upon their resignation at closing, Frank Kessler and Jerry Grossman:
  - i. will elect COBRA continuation for their health insurance, and Newco will insure the payment by NEWCO or the Company of the premiums associated with such health insurance through December 31, 2008.
  - ii. May elect to either (a) retain each of their current company-provided automobiles and the financial liability associated therewith, or (b) return their vehicle to the company and be indemnified by Newco and the Company from further liability under the leases.
- d. The Company and the Existing Holders will mutually cooperate after the closing including, without limitation, providing access to records necessary to respond to tax inquiries.

3. The Existing Holders shall retain any and all of their claims against the Company existing as of February 1, 2008 (the "Existing Claims"), except on account of any equity interests in HOLDINGS and any of its direct or indirect subsidiaries.

4. So long as a plan of reorganization or other restructuring (a "Plan") supported by Newco treats the Existing Claims no less favorably than similarly situated unsecured claims, the Existing Holders will grant, to the maximum extent permitted by law, an irrevocable proxy and power of attorney to Versa to vote the Existing Claims with respect to such Plan. In any event, the Existing Holders agree not to support or vote in favor of any Plan that is not supported by Versa, nor advocate against any Plan supported by Versa.

5. The Existing Holders will not take any action in any bankruptcy, insolvency or other judicial proceeding or restructuring other than in connection with proving up the Existing Claims and defending actions, if any, brought against the Existing Holders by third parties. Upon execution of the definitive documents, the Existing Holders will tender their resignations from all positions in Holdings and its affiliates and subsidiaries.

6. It shall be a condition to closing that Newco, or other affiliates of Versa are simultaneously closing a transaction with the Company and its existing

Binding Proposal – Shapes/Arch Holdings, LLC  
February 22, 2008  
Page 3 of 4

lenders (the "Bank Transaction") providing at least \$15 million of term debt to the Company on terms acceptable to Versa, the Company and its existing lenders to maintain or restore its liquidity. If the closing does not occur within 30 days of the date of this letter solely because of the failure of this condition, all obligations hereunder shall be terminated.

**This Proposal is binding and legally enforceable upon Versa, the Existing Holders, BLLC and HOLDINGS on the terms set forth herein**

This Proposal will expire if not accepted, counter-signed, and returned to Versa by fax (215-609-3410) by 10:00 p.m. Philadelphia, PA time on February 22, 2008.

We believe the Transaction would be beneficial to all parties, and are prepared to devote the required time and resources on an expedited basis. If you have any questions or require additional information, please feel free to call me at (215) 609-3434. Thank you for your attention.

Sincerely,

VERSA-CAPITAL MANAGEMENT, INC.

  
Paul Halpern, Partner

Cc: Gregory L. Segall  
William R. Quinn

[SIGNATURES CONTINUED ON NEXT PAGE]

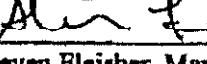
Binding Proposal – Shapes/Arch Holdings, LLC  
February 22, 2008  
Page 4 of 4

ACCEPTED AND AGREED:

SHAPES/ARCH Holdings, LLC, on behalf of itself  
and its direct and indirect subsidiaries and affiliates

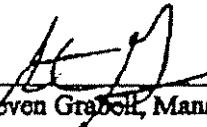
By: 

Steven Grabell, Manager

By: 

Steven Fleisher, Manager

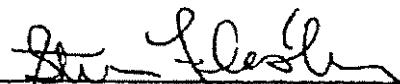
BEN, LLC

By: 

Steven Grabell, Manager

Existing Holders:

  
By: Frank Kessler, for himself and as  
Voting Trustee for Linda Fleisher, Cecelia  
Kessler and Ellen Grossman under that  
certain Amended and Restated Operating  
Agreement of Ben, LLC dated August 20,  
2004, as amended.

  
By: Steven Fleisher, for himself and as  
Voting Trustee for Linda Fleisher, Cecelia  
Kessler and Ellen Grossman under that  
certain Amended and Restated Operating  
Agreement of Ben, LLC dated August 20,  
2004, as amended.

  
By: A. Jerome Grossman, for himself and  
as Voting Trustee for Linda Fleisher,  
Cecelia Kessler and Ellen Grossman under  
that certain Amended and Restated  
Operating Agreement of Ben, LLC dated  
August 20, 2004, as amended.

  
By: Steven Grabell, for himself and as  
Voting Trustee for Linda Fleisher, Cecelia  
Kessler and Ellen Grossman under that  
certain Amended and Restated Operating  
Agreement of Ben, LLC dated August 20,  
2004, as amended.